

This is an Executive Director's update with some end of the fiscal year information. The matters in this Executive Director update include: **1)** the new ATRS termination period, **2)** the contributory election opportunity, **3)** a retirement withholding recap, and **4)** an update on the Compound COLA effective on July 1st.

The New ATRS Termination Period

The termination period for all retirees retiring after July 1, 2009, is 180 days unless one of two exceptions in the law applies to the member. The last date to submit an application for a July 1, 2009, retirement date was May 31, 2009. Any retirement applications from this time forward will be subject to the 180-day termination period unless either of the two exceptions exists.

The first exception is for any member who has reached 65 years of age. A member who is 65 or older and is vested has no termination period at all and may declare their retirement at ATRS without any termination from their ATRS employer. The second exception applies to ATRS members who have 38 or more years of credited service. For members with 38 or more years of service, termination is still required to be eligible for retirement benefits but only a 30-day termination period applies. The 38 years may include any combination of ATRS service, years of T-DROP participation, and service with another reciprocal state system such as Arkansas Public Employees Retirement System.

Great caution should be used when retiring from an ATRS employer and thereafter returning to work for an ATRS employer. You could face repaying all benefits paid to you during your attempted retirement. Before returning to work after retirement you should check **very** carefully to ensure you are not returning to work before your applicable termination period has been met. You will be considered as not retired from ATRS and will have to repay all retirement benefits and return any T-Drop distributions, with interest. ATRS welcomes your calls to assist you in ensuring you have met the required termination period.

Contributory Election Opportunity

ATRS has noncontributory and contributory members. Members have a benefit multiplier of 1.39% per noncontributory year of service and a benefit multiplier of 2.15% per contributory year of service. For a 6% pre-tax member contribution, the member becomes contributory and receives an extra multiplier of 0.76% per year of contributory service. ATRS cannot allow contributory service and noncontributory service in the same fiscal year, since ATRS only has the two multipliers. ATRS cannot prorate the formula. If a member elects to become contributory, the contributory election applies to all future service and cannot be changed back to noncontributory status.

A member wishing to become contributory must do so prior to receiving any salary payment in the fiscal year (July 1, 2009-June 30, 2010). If you would like to become

contributory, you may still have time to do so and make it effective for the coming fiscal year. Check with ATRS to see if you are still eligible to become contributory for the coming fiscal year. If you are eligible, you may work with your bookkeeper/payroll office and fill out forms to become contributory. If you miss the deadline, you may fill out the forms but your first contributory year will be the next fiscal year that begins July 1, 2010.

Retirement Withholding Recap

Congress passed an earned income tax credit to apply to 2009 federal income taxes and the IRS ordered the reduction in the federal income tax withholdings table in March, 2009. ATRS pays retirement benefits, not earned income, so our members would have had less taxes withheld and not have a reduction in taxes to pay. The only unaffected retirees are retirees who instructed ATRS to withhold a specific amount of taxes to be withheld using a special ATRS form. The IRS agreed in May to let ATRS and other pension plans to return to a non-earned income tax withholding table.

In the June retirement benefit payment, which is paid at the end of June, ATRS used the new withholding table. The amount of reduction in the ATRS benefit payment for June is in the possession of the IRS. So after 3 months, the reduction in withholdings that ATRS had to make was adjusted back to the approximate levels of withholding used in January and February 2009. The bottom line is that unless a retiree instructed ATRS to withhold a specific amount of income taxes, ATRS used a reduced withholding for three months (March, April, and May), then returned to an income tax withholding level that best protects our retirees from having unanticipated taxes due when paying 2009 taxes next year.

Compound Cola Effective July 1st

The compound COLA is effective July 1st, 2009. Some retirees have called since their latest retirement benefit did not have the COLA increase in it. In fact, most retirees received a smaller payment from ATRS for their end of June payment than for their end of May payment. For the cause of the reduction read the ***“Retirement Withholding Recap”*** above on changes in tax withholdings for June benefit payments.

ATRS pays retirement benefits at the end of the month, commonly called "in arrears," not in advance. So the payment some thought was their July benefit payment was actually their June benefit payment. Retirees will see the compound COLA increase in their July benefit payment that will be paid at the end of July. So retirees will see the compound COLA in 30 days.

If you have questions or need more information about this update, please feel free to call me on my direct line at (501) 682-1820 or my cell (501) 318-5998 or email me at georgeh@artts.gov. In addition, if you use Twitter, you can follow events by finding the Twitter ID of ATRS or find George Hopkins in the Twitter directory. On Twitter, you will have access to day-to-day updates on ATRS happenings.